Oregon University System

Planning Framework Developed by the Strategic Planning Work Group

Report to the Board Committee on System Strategic Planning

October 18, 2002

Oregon State Board of Higher Education

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Introduction

Published nearly ten years ago, *Education Unbounded: A Vision of Public Higher Education Serving Oregon in the Year 2010*, set a course for public higher education in Oregon that led to streamlined administrative processes (SB 271), a broad set of Board goals (SB 919), and a new entrepreneurial funding model (Resource Allocation Model).[1] At the same time, growth in public universities was being fueled by growing student demand arising, in part, from the increasing importance of baccalaureate education and beyond as the only viable pathway for professional and economic advancement. Along the way, however, Ballot Measure 5 and a continuing loss of State support in higher education, have led the Oregon University System to actively explore a new set of strategies. These strategies are aimed at revitalizing Oregon's university system, reaffirming the System's commitment to growth, and realizing its potential for excellence in serving the needs of a growing knowledge economy. Embedded in these strategies are several assumptions:

- OUS will need to serve greater numbers of students—not only the growing number entering from Oregon's high schools, but those already in the workforce or returning to college after a hiatus for family and jobs.

- As a public system, OUS has an obligation, working collaboratively with the State, to provide affordable higher education to Oregonians.

- A solution to the difficult choices concerning access and affordability will require the participation of multiple providers—community colleges, independent colleges, and the scholarship commission.

- State funding levels over the next few biennia are not likely to provide full General Fund support for the Resource Allocation Model in its current form.

- The State's budget realities argue for greater flexibility for OUS in accessing other sources of revenue.

The work reflected in this document began during the past year as the Board's System Strategic Planning (SSP) Committee wrestled with a growing sense that OUS was at a crossroads in its development, needing a framework on which to build a set of policies, priorities, and partnerships that could take the System through the rest of this decade. The SSP Committee's Strategic Planning Work Group was created at the July 2002 Board Renewal to initiate the construction of that framework. Meanwhile, campus presidents articulated a list of initiatives aimed at freeing universities from unnecessarily burdensome regulation and permitting them to manage their resources with greater flexibility and efficiency.

During two months of intensive work through August and September 2002, the Work Group engaged Board members, presidents, System staff, and the new Chancellor, and focused on those

[1] See Appendix A for a more complete description of the antecedents leading to the current planning efforts.

issues most urgently related to the upcoming legislative campaign for the next biennial budget (2003-2005). The approach remained long-term and strategic, but coupled with an awareness of current budgetary realities and immediate and short-term prospects.

A serious public policy dialogue is emerging around the future of higher education in Oregon, supported by such groups as the Oregon Business Council and the Oregon Council on Knowledge and Economic Development. Continued budget reductions this fall only add to the urgency of these efforts.

Serving Oregonians with a high quality, affordable system of public universities will require a partnership with the State and with students, and will include new provisions for entrepreneurship and accountability. It will require a multi-biennial strategy balancing increasing state support with student tuition and savings accrued through more efficient institutional processes. In return, the Oregon University System will chart a course toward significant performance gains and expanded service to its constituents. The result will be a vigorous, future-focused university system that equips students, businesses, public agencies, and citizens to meet the challenges of the 21st century.

Components of the Strategy

The efforts of the Board's Strategic Planning Work Group are a first step in this strategy. The Work Group's product encompasses three major components: a vision statement; a set of flexibility initiatives; and the conceptualization of a new "deal."

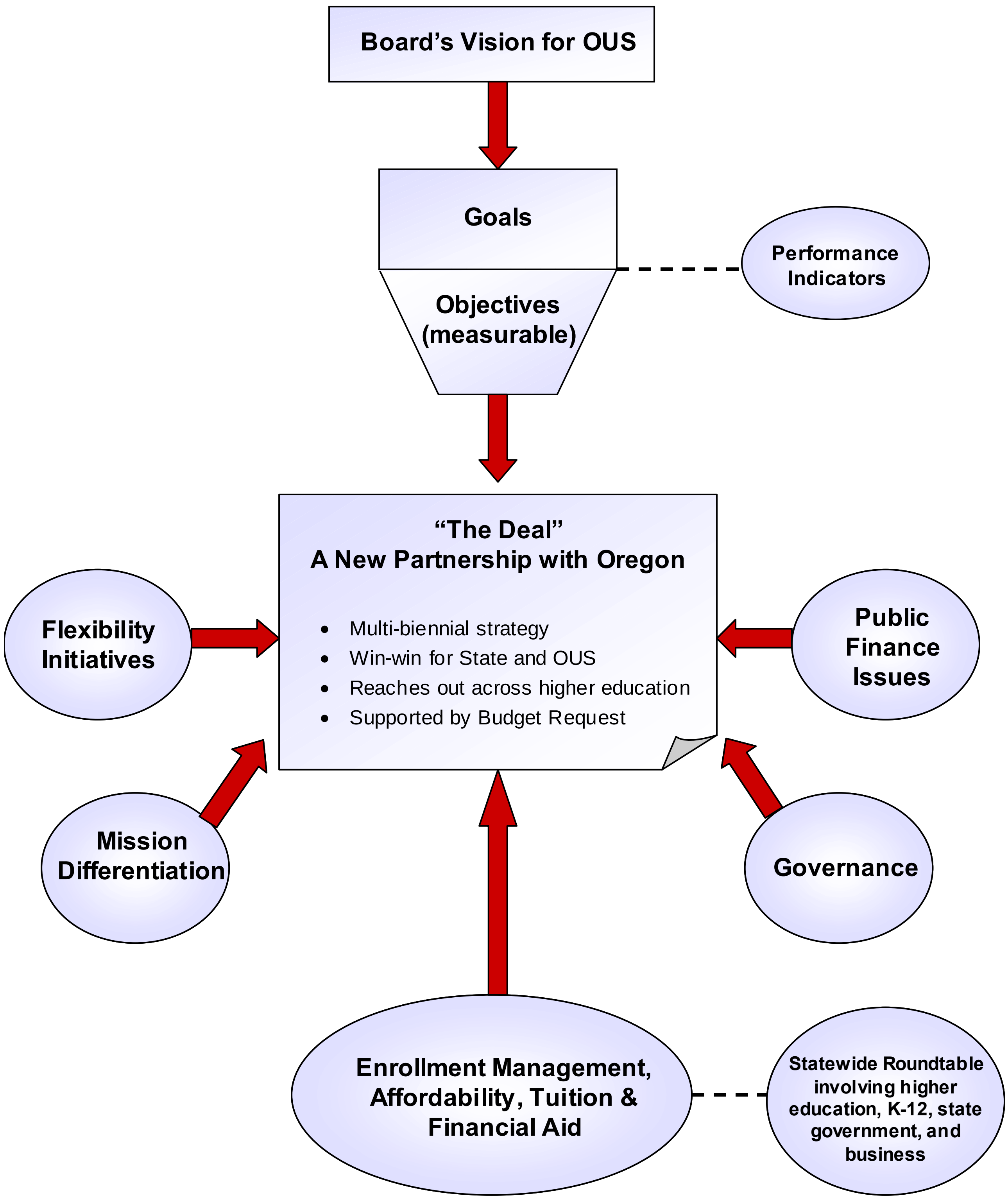
- A new System **vision statement** draws from earlier planning reflected in *Education Unbounded* but also reflects the tension of the current demand-resource equation. Employing the performance measures developed from SB 919, this statement offers a results-oriented vision of public higher education.

- An array of **flexibility initiatives** provides explicit steps OUS can take to increase efficiencies in administrative operations and respond with greater agility to changing markets. They respond to the requests by the university Presidents for more entrepreneurial opportunities and the obligation of the Board for accountability to the State.

- A package of partnerships and shared commitments is wrapped into a new **"Deal"** for Oregon higher education that will deliver the newly articulated Vision. Encompassing a multi-biennial approach, "The Deal" recognizes that commitment works both ways, and it offers explicit returns for an increased investment in OUS. The Flexibility Initiatives are the essential deal closers, bridging the gap left when the State and our students have contributed their shares.

There is more work to be done over the coming months. A major communications effort is in process, and it will be part of a larger marketing strategy. University presidents are working with their campuses and with the Chancellor to redefine campus missions and their connection to the OUS System vision. Discussion of mission differentiation will be a major agenda item for the System Strategic Planning Committee this academic year. Meanwhile, the Work Group report offered here sets the stage and attempts to show how all the different elements might fit together.

Strategic Planning Overview



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Vision

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Oregon University System Vision Statement

Context

For over a hundred years Oregon's public universities have offered the citizens affordable access to programs of recognized quality and a faculty of national and international distinction. Our public university system was created by past generations of Oregonians who knew higher education was fundamental for citizens who wanted a better life. The Oregon University System holds these assets in trust for the benefit of all Oregon—urban, rural and frontier communities.

Each generation, in turn, has taken responsibility for renewing Oregon. Like our pioneer fathers and mothers, we understand that Oregon's future is not given, but made. Today's Oregonians realize that education beyond high school is a necessity, not a luxury. By providing sufficient resources for public two-year and four-year college opportunities, no adult should be left out of Oregon's future. These opportunities are now at risk. In order to secure the resources to maintain them – from the state, from our students, and from our own entrepreneurial efforts and creativity, we need a new set of public commitments between the state and its public universities.

Here are ours …

Commitment to Oregonians

We pledge to provide the educational services required by present and future citizens to make the contributions needed to sustain and propel Oregon into the future. To meet our obligation to use the resources wisely provided by taxpayers and students, we are committed to being more responsive to the needs of society.

The Oregon University System intends to provide access to a range of educational services of excellent quality tailored to the needs of Oregon's population, which is growing both in size and diversity. We aspire to provide value to all Oregonians regardless of their social attributes, residence, or economic circumstances. These learning experiences and services create the social, civic, cultural and economic opportunities for students to assume their chosen roles in creating the new Oregon.

Through the mission for public higher education devised by Oregon legislators (ORS 351), OUS is compelled to link access and excellence. Access without excellence shortchanges both the student and the public. Excellence without access is elitism that is inappropriate for the state's public universities.

Both the state and students have a vital interest in sustaining an affordable public university system that can be shared by all Oregonians. This partnership requires each to be responsible for a reasonable portion of the funding the cost of instructional programs that benefit both the individual and the state.

Oregonians have a right to demand and expect excellence from their public university system. What should the system do to provide the access and excellence required? How much improvement is needed to achieve this vision of a public higher education system?

Attaining the Vision: 2010 Goals

OUS will focus its improvement efforts on three vital categories: access and excellence in learning, excellence in research and scholarship, and excellence in service to Oregon's communities. Beginning with improvements already attained by 2000-01, OUS proposes to double results or achieve "best in class" to meet the demands and needs of Oregon and Oregonians by 2010, the close of the first decade of the new millennium.

Access and Excellence in Learning

OUS aspires to achieve four objectives related to the access to and excellence of instructional programs as follows:

1. Increase enrollment capacity to 100,000 undergraduate, graduate, and professional students to meet the strategic needs of the state and interests of learners.

2. Enhance student success to that currently enjoyed by the top states and public institutions in the United States.

3. Double the enrollment and degrees produced in engineering and computer sciences to meet the demands of Oregon's economy.

4. Double the spending on student financial assistance supported by state and institutional funds.

Excellence in Research and Scholarship

OUS will fulfill its obligation to the new Oregon by creating new knowledge and scholarship that serves the economic, civic, social, and cultural needs of the future. OUS will give special attention to research that serves the economic goals of Oregon industry and solves the scientific puzzles facing Oregon enterprises by 2010 as follows:

5. Double the amount of funded research and development (R&D) and technology transfer activities.

6. Double the number of graduate and professional programs ranked or recognized in the top 25 nationally.

7. Eliminate the gap in average faculty compensation and start-up packages offered by OUS universities compared with national peer universities to attract the brightest faculty in the world to Oregon's public universities.

Excellence in Service to Oregon's Communities

The Oregon University System will add greater value to the worth of Oregon through service to the personal, civic, and entrepreneurial objectives of Oregon's citizens, governments, and businesses. The OUS will meet its public service obligations by responding to the needs of our communities as follows:

8. Extend universities into the cities and communities of Oregon to provide easy and low-cost access to the practical information citizens require for personal, professional, and business success.

9. Increase collaboration with partners to disseminate research findings to reach the widest possible audiences of interested citizens.

10. Provide opportunities for personal enrichment through the literary, artistic, and cultural treasury of Oregon and the world.

Summary

In partnership with the state, the Oregon University System commits to Oregonians the provision of affordable and excellent educational services needed now and in the future. We will focus our efforts on achieving excellence in three critical areas: access and learning, research and scholarship, and service to Oregon's communities. Toward that end, ten objectives are proposed, each of which requires development of strategies for success. Over the coming year, the Board of Higher Education will address broader issues such as mission differentiation and complementarity of the universities in contributing to the undergraduate/graduate-professional student enrollment mix and degree production in high need areas; research and scholarship; and public services.

Implementing the vision will require many changes by both OUS and the State, and a collaborative approach will be essential as we go forward.

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Flexibility Initiatives

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Flexibility Initiatives

Working from the comprehensive list of requests that the Presidents submitted to the Board on June 20, 2002, the Work Group identified a number of initiatives that will, in conjunction with a multi-biennial funding strategy, enhance university responsiveness to the demands of students and other constituents, and meet state educational and economic needs. Each initiative advocates transforming existing state regulations or Board policy into more flexible operations to save money and time. These efficiencies would permit campuses to pursue mission distinctiveness and expand capacity while being held accountable for results by the Board.

Flexibility to manage resources efficiently and effectively is important under any circumstances, but never more so than when resources are severely limited and demand is high. In several major areas of university activity and operations—affordability in relation to tuition and fees, enrollment management, academic program authority, and management of fiscal resources—OUS campuses are constrained by current regulations in their ability to respond with agility to market demands. The issues raised by the Presidents have been distilled into fifteen specific proposals, from which these Flexibility Initiatives have been derived.

As we move further into a more market-driven higher education system, competition for students among sectors, and among institutions within sectors, may increase. We envision colleges and universities that can deliver services and adjust more rapidly to change and to very diverse populations, and we envision a state policy environment that supports and facilitates prompt responses and student-centered programs and services. The State Board of Higher Education will be responsible for developing and managing policy, providing for the collective good, ensuring equity, ensuring continuity and stability of services, and holding institutions accountable for results.

The fifteen Flexibility Initiatives may be organized into four groups:

1. Affordability, Tuition, and Enrollment Management

Three specific proposals on financial aid, tuition, and enrollment management are connected by a common and direct link to the student. That common bond is further shared with the community colleges, independent colleges, and the Oregon Student Assistance Commission (OSAC). As decisions are considered, increased awareness and coordination of the growing interdependencies between the sectors are critical. The public missions shared by OUS and the community colleges require maximum expansion of articulation and dual admission/enrollment agreements to optimize transfer opportunities.

Issues concerning the price for students and financial aid are of critical importance to many students as well. To make policy choices that serve constituent interests, information must be gathered that is relevant, transparent, and valid for comparisons such as the actual price to students in the form of real tuition and fees paid as well as other expenses (i.e., books and supplies, room and board), balanced with opportunities to offset price increases and ensure equity through grants, scholarships, loans, and loan forgiveness programs.

It is impossible to consider affordability, tuition, and enrollment management within OUS in isolation from the rest of the higher education sector within Oregon and indeed from competitive comparisons out-of-state within our region.

- Oregon is a high-cost, low-aid state, relative to our Western neighbors.[2] Our recent F grade for Affordability in the 2002 edition of "Measuring Up"[3] reflects the state as a whole. How OUS positions itself in generating additional aid may affect future enrollment patterns for both OUS and the community colleges, and possibly the private sector as well, depending on their financial aid packages.

- A more locally held tuition and fee decision-making process may well increase the variability of student costs, with ramifications for local community colleges as well as the independent four-year colleges. The ability (and necessity) of each university to ensure equity for the financially needy has implications for those students who face choices among sectors.

- An initiative on enrollment funding and management represents the primary point in sector overlap, particularly as declining state funding will block growing demand for access.[4] Due to resource limitations, the public four-year sector has reached its capacity to serve the demand in a timely and cost-effective manner. Students who do not meet higher academic standards used to manage enrollment will need other options. The attraction of out-of-state public and private higher education will grow, and those options may become a necessity if in-state, public capacity is unable to keep pace with demand. Moreover, as the cost of Oregon public universities rises, the declining price differential between OUS and private or out-of-state alternatives will affect student choice.

Ultimately, discussions of enrollment management, tuition, and financial aid should be held periodically in a statewide forum that includes all sectors and constituents. Debate should center on how best to serve the Oregon resident seeking a higher education within a framework of choice. The framework should consider cost, financial aid alternatives, location, program availability, time to degree completion, and other factors that influence a student's decision making. Oregon is fortunate to be one of five states selected to participate in a national project supported by the Lumina Foundation to consider the alignment of tuition, financial aid, and state appropriations to support student access, participation, and success. The various providers of higher education in Oregon as well as business leaders and legislators will join in a roundtable discussion project to seek resolutions to the challenge of providing more services for greater numbers with fewer state resources. The work of the Roundtable will flow directly back to the Strategic Planning Committee.

2. Academic Program Development

The interests of responsiveness to market demands, while using limited state resources in a most efficient manner, also reach across the higher education sector in Oregon. This initiative addresses issues of potential duplication and resolution of claims of adverse competition within

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[2] See Appendix B for background information on financial aid and unmet student need.
[3] National Center for Public Policy and Higher Education, *Measuring Up 2002: The State by State Report Card on Higher Education*.
[4] See Appendix C for a description of the OUS enrollment context.

the OUS. It also raises the question of the need for further review, with concomitant delays, at the state level, a burden not imposed upon our sister institutions in the independent sector.

3. Fiscal Operations and Management

This group of flexibility initiatives would permit campuses to:

- Eliminate expenditure limits on non-State Education and General operating funds
- Eliminate restrictions when bonding does not create a General Fund obligation
- Retain interest earnings on all funds
- Buy, hold, and sell property
- Streamline IT and telecommunications purchases and contracts

4. Governance

The issue of institutional and system governance structures has been extensively discussed and is not being pursued at this time. It is one the Strategic Planning Committee could return to, but for which the immediate urgency is less than the other matters that drive the other Flexibility Initiatives.

The Flexibility Initiatives are summarized in the following table: starting with the proposal requested in the initial letter from the University Presidents; leading to a System recommendation supported by the Chancellor and Presidents and endorsed by the Work Group; and accompanied by specific provisions to assure Board accountability in return for the additional flexibility from the State. More detailed discussions under each initiative are presented in Appendix D.

Summary of Flexibility Initiatives

Initiative	Flexibility Proposal	System Recommendation	Board Accountability Provisions
Affordability, Tuition, and Enrollment Management			
Tuition and Fees	Vest institutions with responsibility for setting tuition and fees, within boundaries established by the Board.	• Board policy already provides maximum flexibility to campuses in setting non-resident tuition and fees. • Board will set upper and lower bounds for resident undergraduate tuition. • Board will set upper and lower bounds for resident graduate tuition. • Board will require tuition remissions to support financially needy Oregon students to accompany tuition increases.	Tuition proposals from campuses will be accompanied by student impact analysis.
Institutional Financial Aid	Give campuses greater flexibility to provide financial aid to students; tied to flexibility in setting tuition.	• Increase grants through OSAC for students • Adopt Board policy to ensure that a portion of tuition increases are set aside for financial aid for needy students	Fee remissions, scholarships, and other financial aid awarded to students, including information on student family income level, will be reported annually to the Board by campuses.
Enrollment and Funding of Resident Undergraduates	• Limit total number of funded students to a level that provides adequate funding for each student. • Distribute funded students among institutions in an equitable way. • Determine the numbers of students to be accepted, based on the agreed upon funding level of RAM.	• Develop a System agreement among campuses for distribution of students by campus that will be supported if there is no increase in state General Fund and if GF support increases to the quality level requested in Board-approved budget. • Each campus that can enroll additional Oregon residents beyond level described above will identify available program capacity and provide assurance to teach out these students if GF support as described above does not increase in the future.	Annual audit report to the Board will be required of campuses. Definitions related to enrollment and program capacity will be defined by the Board in consultation with campus presidents.
Academic Program Development			
Academic Program Authority	• Permit campuses, with Board approval, to establish or expand academic programs based on market demand, academic priorities, and available resources. • Exempt OUS from program review authority of the Office of Degree Authorization (under OSAC).	• Streamline program approval process. • Establish expedited appeal for cases where an OUS institution objects to a proposed program on grounds of adverse impact and insufficient unmet demand to sustain a potentially duplicative offering. • Seek exemption from review by OSAC.	Board will review and authorize streamlined program approval process. Five-year follow-up reviews of expedited programs must show evidence that Board goals are being met.

Summary of Flexibility Initiatives

Initiative	Flexibility Proposal	System Recommendation	Board Accountability Provisions
Fiscal Operations and Management			
Expenditure of Non-State E&G Operating Funds	Delegate to OUS the authority for establishing expenditure limits for non-State Education & General Operating Funds.	Seek legislative approval to remove expenditure limitation on non-State Education & General Operating Funds.	Board will review and approve expenditure of non-State Education & General operating funds when expenditures exceed budget targets.
Interest Earnings	• Allow OUS institutions to retain interest earned on non-state dollars, specifically tuition and fees. • If returned to the institutions, this money should not be used as a substitute for state support.	• Seek legislative approval to retain interest earnings on non-General Fund sources. • Continue to follow existing statutory requirements related to cash management for non-General Fund sources just as OUS does for the funds over which OUS currently has authority to retain interest earnings.	Within the recently adopted Systemwide Fiscal Accountability Framework, OUS will develop a more sophisticated cash management policy that adheres to standards of "best practices." Periodic reports and audits will be required.
Purchasing and Contracting	Seek reversal of the amendment to SB 271 that granted authority to the Department of Administrative Services (DAS) to review and approve IT and telecom purchases and contracts.	• Seek amendment of ORS 291 that currently limits SB 271 purchasing authority for IT and telecommunication areas. • Seek designation of the Board as final authority for IT and telecom purchases. • Seek DAS cooperation in authorizing OUS to enter into, independently, the Western States Contracting Alliance (WSCA) purchasing coalitions.	IT and Telecommunications purchases would follow the existing processes in OUS OARs for purchase of goods and services. Current processes are in accordance with the public contracting requirements of ORS 279.
Use of Private Funds	• Request greater flexibility in the use of assessments on endowments and of pledges to match state bonding. • Work to obtain legislative authority to that end.	• Seek approval to use private funds more flexibly to match bonding requirements. • This change may require voter approval to change the Oregon Constitution to allow for anything other than a dollar-for-dollar match.	OUS would continue to subject bonding proposals to a rigorous fiscal analysis, including a comprehensive contingency plan to follow in the event that anticipated pledges are not forthcoming.
Donor Privacy	Work to obtain statutory exemption (similar to that for OHSU) to protect personal information of donors to OUS institutions.	Seek legislative exemption from public disclosure of personal information about donors or potential donors unless disclosure is authorized by that person.	OUS will develop policies and procedures that guide the safekeeping of information and help ensure donor privacy.
Legal Oversight & Representation	Permit OUS universities that are capable of providing legal services in the areas of contract review, technology transfer, and intellectual property rights, to have the opportunity to employ their own legal counsel.	• Seek legislative and DOJ exemption for OUS from mandatory contract review based on predetermined monetary limits. • This exemption would authorize OUS to seek legal review based on self-determined need and complexity of issues.	Board may direct review of contracts on periodic basis. Board will establish policy parameters within which campuses may employ legal counsel.

Summary of Flexibility Initiatives

Initiative	Flexibility Proposal	System Recommendation	Board Accountability Provisions
Other Funds Construction Projects	Request delegation of authority to OUS for approving capital projects that involve no General Fund expenditure.	Seek legislative relief from regulation and requirements for construction projects when not funded with state funds.	Board will follow review and approval processes currently in place. New rules may be added as necessary to protect the interests of the System, campuses, and the state.
Real Estate and Personal Property	Within guidelines established by the Board, request institutional authority to buy, hold, and sell real and personal property, and thus, relief from legislative approval for such transactions.	Review other states' models to assess strengths and weaknesses of local control of real estate and personal property.	Board will follow review and approval processes currently in place. New rules may be added as necessary to protect the interests of the System, campuses, and the state.
Limitations on Bonding	• Request delegation of authority from Legislature to OUS to establish protocols when state funds are not the source of debt service. • Request change in dollar-for-dollar match requirement for General Obligation (GO) Bonds. • Request change to permit expansion of use of Certificates of Participation (COPs) as a match for GO bonds.	Seek approval to eliminate legislative restrictions on bonding that does not create General Fund obligations.	Board will follow review and approval processes currently in place. New rules may be added as necessary to protect the interests of the System, campuses, and the state.
Research, Technology Transfer, and Intellectual Property	Give campuses full management responsibility for legal and financial issues related to research and technology transfer activities and intellectual property rights.	Explore with appropriate entities (Dept. of Justice, campuses, staff) non-administrative issues, including ownership or delegation of title to intellectual property, and federal legislative efforts to reduce restrictions regarding private activity bonds.	To be determined.
Employee Insurance and Retirement	• Explore opportunities to offer OUS' own health care program for OUS employees. • Review alternatives to PERS.	• Review and, if necessary, update recent studies of competitive health care programs. • Undertake a review of competitive options in retirement programs.	To be determined following System review of studies and options.

The “Deal”

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Enrollment Management and State Support for Public Higher Education in Oregon

It is time to re-examine the System-State funding relationship and the ways in which the OUS budget systems can serve it best. Both the state and OUS have an interest in providing broad access to high quality programs. The question is, how do we ensure the proper match between funding and access, while supporting a high quality educational experience for students? The right balance between state General Fund support and student tuition has been a moving target, especially in the recent period of severe budget shortfalls. That balance needs to become more predictable.

The Resource Allocation Model (RAM) was adopted in 1999. Peer-based and guided by the principle, "dollars follow the student," the RAM serves well in providing a "quality index" for the relationship between enrollment and funding.

OUS funding in relationship to its peers is often expressed as a percentage of the peer average. Thus, for example, if OUS were funded at the midpoint of its peers, it would be at 100% of the peer average. In 1999-2001, the RAM was funded at 89% of the average of OUS peer universities. With subsequent budget shortfalls, especially during the past year, funding has dropped to 77% of the peer average.[5]

At this level, the principles underlying the RAM become severely compromised and give rise to an untenable conflict between access and quality. With enrollment demand increasing at the same time funding is decreasing, the State and the System are driven to an adversarial relationship. Fundamental to the restoration of the System-State partnership is agreement that the Quality Index—the component related to the level of state support—must begin at 80% of the peer average state funding. At that point, access and quality begin to reconnect.

In order to assure quality under a predictable formula, the System and the State must agree on a minimum Quality Index (QI) level. Minimum QI may be expressed as

QI $\geq$ 80% of the peer average state funding.

Funding of Education

Funding under this partnership would come from three sources:

1. State General Fund support
2. Student investment (tuition and fees)
3. Institutional contributions, including those realized through greater managerial flexibility and entrepreneurial activity

To provide balance and equity, and given the longer term budget outlook, we propose that funding be subject to the following conditions:

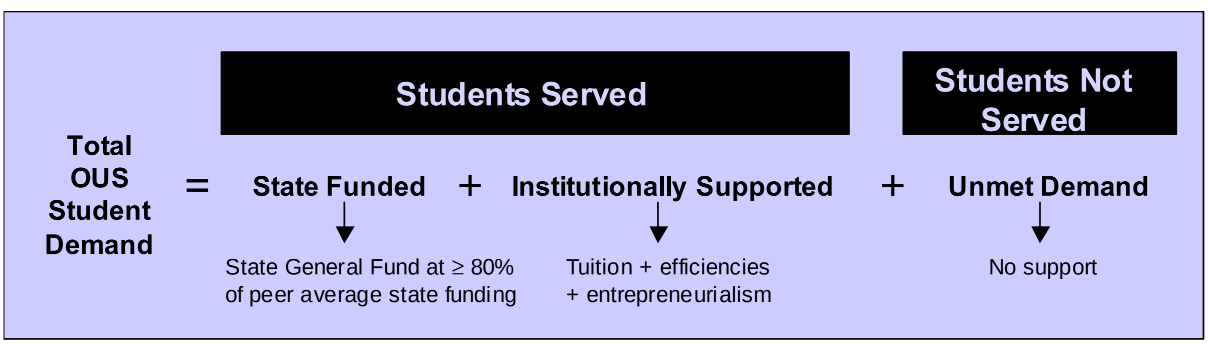
[5] As of the end of the 2002 Fourth Special Session of the Legislature.

1. State funding will equal 80% of the average state support of our Board-designated national peer institutions (peer funding) for 2003-2005, increasing to 85% in 2005-2007, and to 90% in 2007-2009.
2. Resident undergraduate tuition and education fees will not exceed average OUS state support per student.
3. Resident undergraduate tuition and education fee rates shall not increase faster than inflation in the higher education sector over any three-year interval.

These conditions apply to the *state-supported* component of funded enrollment. The other part of the enrollment equation includes an *institutionally supported* component. Institutions can and will accept additional students to the extent that tuition income and other operating resources and efficiencies of each campus can accommodate them. Savings realized through implementation of the flexibility initiatives described earlier could provide some funding stability. We expect this to be especially important in the upcoming biennium, when state support relative to peer averages is lower. The additional students enrolled would not count in the calculation of eligible OUS state-funded enrollment in subsequent years.

There will be student demand beyond that which can be supported either through state funds, student tuition and fees, or other resources and efficiencies. The level of unmet demand—potential students not able to be served because of resource constraints—may be reduced by increasing the contribution from any of the other sources. However, for this new partnership to serve the shared interests of System and State, unmet demand cannot be reduced by lowering the Quality Index below 80%.

The relationships between funding sources and student demand are displayed below:



The "Deal"

The conversation between OUS and the state must be a dialogue, not a debate. Recognizing the relatively bleak financial landscape in the near term, OUS views the establishment of growth supported by state funding as a multi-biennial effort. On the state's part, this includes funding at 80% of the peer average in 2003-2005, increasing to 90% by 2007-2009, and the implementation of the flexibility initiatives described earlier. On OUS' part, this means holding tuition and education fee rates to not more than the average State support per student, and accompanying tuition increases with a financial aid set-aside for the neediest students.

Research is a critical component of the OUS mission and provides a direct economic contribution to the state. Studies show that for every $1 million in sponsored research expenditures in Oregon, 47 jobs are created.[6] OUS faculty successfully compete for research and development contracts, contributing over $200 million in FY 2000 through sponsored research activity alone.[7] Recognizing these important contributions, our proposal includes provision for state investment in research incentives based on performance in securing external research dollars.

In return for this investment, OUS pledges to:

- Achieve competitive performance (above the national average) in measures of student success and faculty accomplishment
- Maintain a below-average cost to State taxpayers
- Maintain a fair share of student investment, with affordability preserved for those with greatest financial need
- Increase enrollment capacity to 100,000 by 2010
- Double the level of funded research and technology transfer activities by 2010
- Expand university outreach and public service

In this way, the dialogue between the state and OUS is framed in a mutually beneficial "deal," captured in the graph on the following page.

[6] This multiplier is derived from a set of state multipliers, adjusted for inflation, developed by the U.S. Department of Commerce, Bureau of Economic Analysis for the "Colleges, Universities, and Professional Schools" sector.
[7] Source: Oregon University System, Institutional Research Services, *OUS Fact Book 2000*.

The Deal
(over 3 biennia)

State Support

- Fund at 80% of peer average state support in 2003-2005, increasing to 90% by 2007-2009
- State investment in research incentives related to performance

Student Tuition

- Charge not more than average OUS state support per student for resident undergraduates
- Direct a portion of new tuition revenue raised to fund financial aid for the neediest students

Institutional Efficiencies

Allow campuses to:
- Eliminate expenditure limits on non-state funds
- Eliminate restrictions when bonding does not create General Fund obligation
- Retain interest earnings on all funds
- Buy, hold, sell property
- Streamline IT purchases and contracts
- Expand or establish academic programs according to market demand

Return on Investment

- Achieve competitive performance (above the national average) in measures of student success and faculty accomplishment
- Maintain a below-average cost to State taxpayers
- A fair share borne by students, with affordability preserved for those with greatest financial need
- Increase enrollment capacity to 100,000 by 2010
- Double the level of funded research/technology transfer by 2010
- Expand university outreach and public service

Appendix

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Appendix A

Antecedents Toward System Improvement

The mission for public higher education is spelled out in ORS 351. Consistent with this mission, the Oregon University System began looking at the paradox of meeting projected increasing demand from constituents and diminishing support from taxpayers. The Board appointed an inclusive advisory panel that resulted in a vision statement that forecast how to be successful in serving Oregon in 2010. The alignment and improvement of the higher education system began in earnest in 1994 when this vision, *Education Unbounded*, was shared with Oregonians and was used to steer the enterprise.

The Board of Higher Education developed broad goals and a strategy for achieving the goals and vision. These strategies included reducing or eliminating unnecessary state regulatory burdens on the system for some administrative processes (SB 271) in the 1995 legislative session, translating the Board's four goals into performance measures and changing admission criteria from seat time to proficiencies (SB 919) in the 1997 session, and developing a new resource allocation model that provided incentives for campuses to grow enrollment, meet state needs, and leverage the market to stimulate change. Much has been accomplished in eight years, but more remains to be done to realize the 2010 vision. These antecedents to the proposal for more institutional flexibility from state and Board regulations are described very briefly to provide greater context for the reader.

ORS 351.001 Legislative findings

The Legislative Assembly finds that:

(1) For its political well being, Oregon needs wise and effective leadership and an informed citizenry.

(2) For its economic well being, Oregon needs able and imaginative men and women for the direction and operation of all its institutions, for the production of goods and services and for the management of its fiscal affairs. Oregon also needs alert and informed consumers, readers, viewers and listeners. Oregon also needs people who understand the diverse patterns of behavior, communication and belief that make up the common cultures of the various communities in which we all must function.

(4) For its survival, Oregon needs citizens who understand the interdependence of human beings and our shared dependence on the resources provided by our natural environment.

2010 Vision for the OUS

Intent: In 1993, the Oregon State Board of Higher Education (OSBHE) formed an advisory panel that included members of the Board, legislators, and prominent civic and business leaders. The panel prepared a report titled, *Education Unbounded: A Vision of Public Higher education*

Serving Oregon in the Year 2010, which articulated a number of higher education goals for Oregon's future under the following headings:

- The Vision
- New Approach to Learning
- New Compact with the State
- Governing for Change

Results: Learners, of all ages, have more choices for completing courses and degree programs and achieving higher targeted competencies in a networked learning environment. Not only are more courses available through distance learning, greater numbers of students on campus complete courses or portions of courses through simulations on CD-ROMS, communicate with faculty on-line, and use other technologies. Efforts to reach more Oregonians were achieved by collaborating with community colleges through the creation of university centers in more rural parts of the state. One of these successfully transitioned in the 2001 Legislative Session into a branch campus in Bend (OSU-Cascades).

SB 271

Intent: Passed by the Legislature in 1995, the Higher Education Administrative Efficiency Act transferred authority from the Department of Administrative Services (DAS) to the OSBHE for purchasing and contracting, human resources, and travel. OSBHE implemented numerous innovative business practices while ensuring accountability for its actions through reviews of its budget, plans, and outcomes by the governor and the Legislature.

Results: By simplifying policies and procedures and eliminating obsolete activities, the System redirected the savings to serve an additional 2,000 undergraduate students at no additional cost to the state.

SB 919

Intent: In January 1997, the OSBHE identified four broad higher education goals to chart a course to the future. Later that same year, the Legislature adopted SB 919, which requires biennial reports on progress toward the four goals.

- Access for qualified Oregonians to degree programs;
- Quality programs on each campus;
- Cost-effective operations; and
- Employable graduates

SB 919 also called for continued work with K-12 schools on the implementation of the Proficiency Based Admissions Standards System (PASS) and for increased opportunities for community college students to transfer to universities to complete bachelor's degrees.

Results: The OSBHE adopted 14 key performance measures/indicators for the seven institutions and focused attention on improvement and results. Performance on these accountability measures is reported regularly to the Board and legislature. The OUS is improving against past performance and well on its way to achieving the 2005 targets. OUS is working with other sectors to increase opportunities for students through improved preparation for success in college and community college transfer options.

Resource Allocation Model (RAM)

Intent: The OSBHE adopted a new budget model in June 1998, designed to be flexible, student-centered, and responsive to the needs of the educational marketplace for new programs and courses. The model was based on the instruction costs of groups (or cells) of different disciplines at comparable institutions and several systems. The benchmark goal was to achieve stable funding in Oregon based on attaining this national average for the cost of instruction by discipline. At that time, Oregon's average costs were slightly more than 10% below the national average.

Results: Campuses now retain tuition and fees on their campuses; state appropriations are allocated based on differences in program costs; many campuses are growing their enrollments; and targeted state funds have doubled enrollment in engineering and computer science to meet workforce shortage areas.

As a result of unstable state funding and expenditure limitations on non-state funds, enrollments have increased but the average amount allocated has declined across the board to significantly below average (20% or more below the national average). Also, the three smaller universities and the technical institute lack the economy of scale needed for the model to generate sufficient resources to provide programs without making the price too stiff for its students, many from lower income families. Thus, the Chancellor's Office created a supplement for these institutions, as the Board believes it is beneficial to the public interest.

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Appendix B

Financial Aid Options in Response to Tuition Increases

Financial Aid Options

Objective:
- Provide additional financial support that maintains the current level of affordability for a group of financially needy students.

Key Issues:
- Define student population receiving need-based support
- Determine amount of need-based support to provide
- Set percent of tuition revenue returned as aid

Defining Student Population

Objective:
- Identify students who will receive additional financial support to offset (fully or partially) tuition increases.

- Eligibility for financial aid is determined by a process that compares the student's ability to pay for college with the actual cost of attending college (student budget). For single students under the age of 25, the ability to pay also normally includes information from the primary parent or guardian. Cost of attendance is based upon tuition and fees, room and board, books and supplies, and personal expenses. All federal aid is calculated based upon information provided by the student in the Free Application for Federal Student Aid (FAFSA).

Options:
- Students who meet eligibility requirements for Pell Grants
- Students who meet eligibility requirements for Oregon Opportunity Grants
- Students who are below an income level to be specified

Support Levels

- **Pell Grant** support increased in 2000-01 due primarily to an increase in the maximum amount of the award to $3,300. The 2001-02 maximum was set at $4,000, or about 30% of the cost for a full time resident OUS student.

- **Perkins Loans** are subsidized loans with a 5% interest rate. Undergraduate and graduate students can receive Perkins loans based upon their level of financial need.

- **Federal Work Study** is another form of student support available to both undergraduate and graduate students. Institutions share in the cost of the program in the form of matching funds. Federal regulations require that 7% of the federal allocation be used to support students in community service activities. For 2001-02, the total work-study expenditures at OUS campuses were approximately $4.5 million.

- **Federal Supplemental Educational Opportunity Grants (SEOG)** are grants that do not require repayment. Priority must be given to Pell Grant recipients. Funds are available for undergraduate students only. For 2001-02, the total OUS expenditures of SEOG funds were approximately $4 million.

- **PLUS loans (Parent Loan for Undergraduate Students)** are the final type of federal loan available. PLUS loan utilization has increased by 55% for OUS families since 1997-98. These loans are also unsubsidized.

Amount of Institutional Support per Student

Objective:
- Determine amount of additional need-based financial aid students will receive

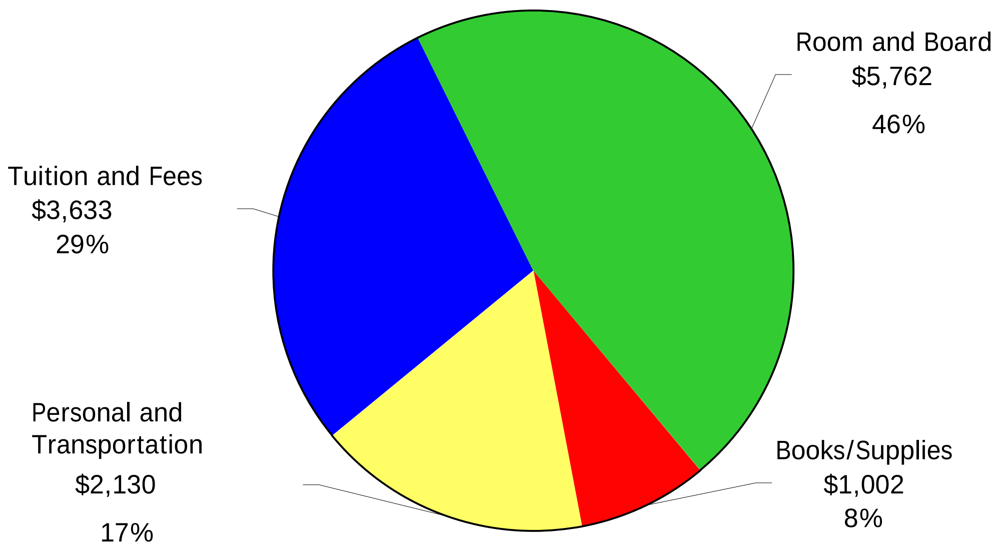
Options:
- Full or partial amount of tuition and fee increase
- Full or partial amount of tuition increase
- Increase total financial aid pool by a percentage of tuition increase

Proportion of New Tuition Revenue to Use as Aid

Objective:
- Determine the amount of new tuition revenue that will be used as financial aid.

Options:
- Set proportion of revenue (University of California, 1/3 of tuition increase used as aid)
- Increase financial aid pool in an amount comparable to tuition increase (Washington)
- Percentage of tuition increase in excess of normal inflation used for financial aid

Estimated Budget for OUS Resident Undergraduate Student (2000-01)
Total = $12,527



KEY POINTS

- Tuition and fees account for 29% of the annual student budget.
- The expected total cost for a resident undergraduate student to attend an OUS campus in 2002-03 is expected to increase 4% from 2001-02[8].
- Housing and tuition rates in OUS increased at approximately the same rate as at other four-year public colleges during the past five-year period.
- The overall cost for an OUS resident undergraduate student is comparable to the cost of attending other public four-year universities in the West.

DISCUSSION

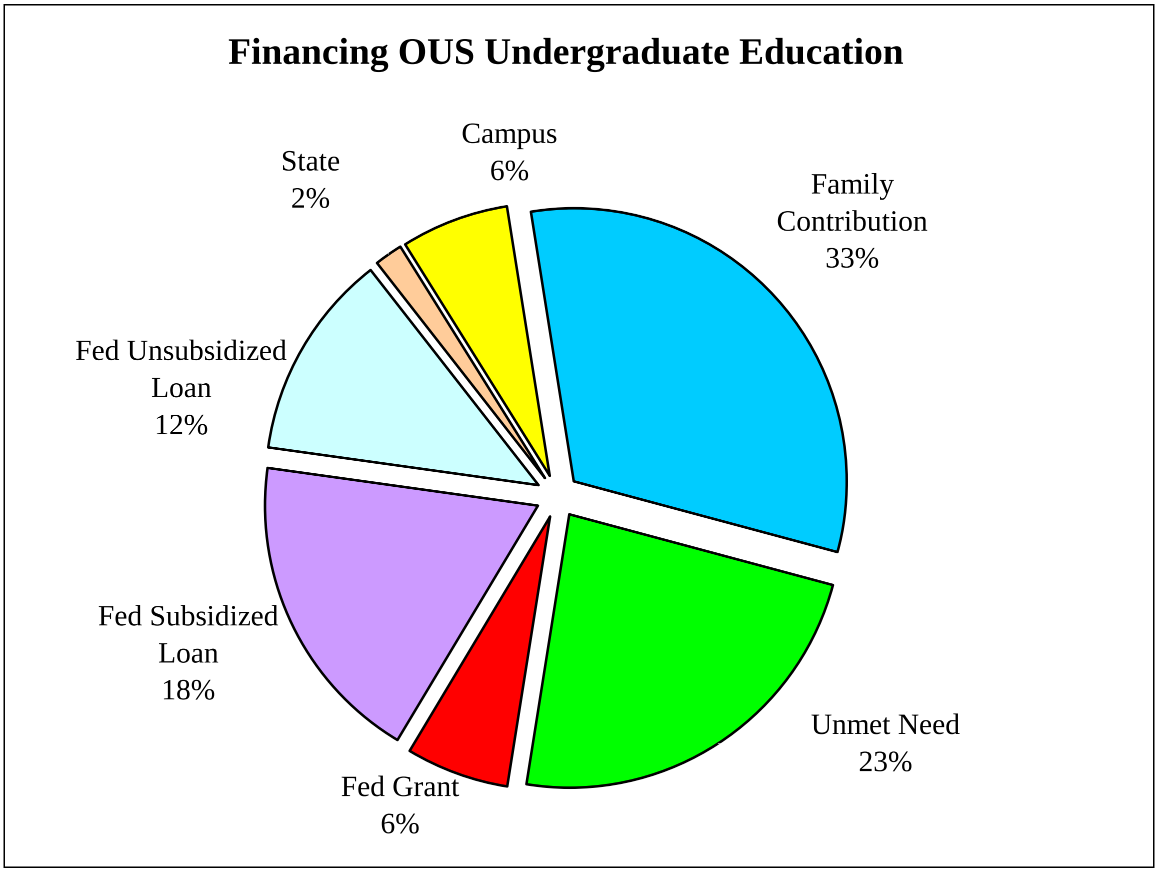
The actual cost of education for an undergraduate student includes many factors.

- Tuition and fees account for less than 30% of the overall undergraduate cost of attending an OUS campus. In 1996-97 tuition accounted for 32% of the OUS student budget.
- Financial aid eligibility is based upon an annual student budget.
- Individual variances in the budget amount occur based on student situations such as marital status, presence of dependent children, enrollment status (full or part time), housing location (on or off campus), and enrollment during summer sessions.
- Fees are set at the campus level and are used to support specific activities or services such as health or computing services that benefit all students.
- Additional discipline-specific fees may also be applied for higher cost programs such as architecture or biology.
- Many fees have student input or, in some instances, control. Student committees set the Incidental Fee, which supports student organizations. Many other fees such as Student

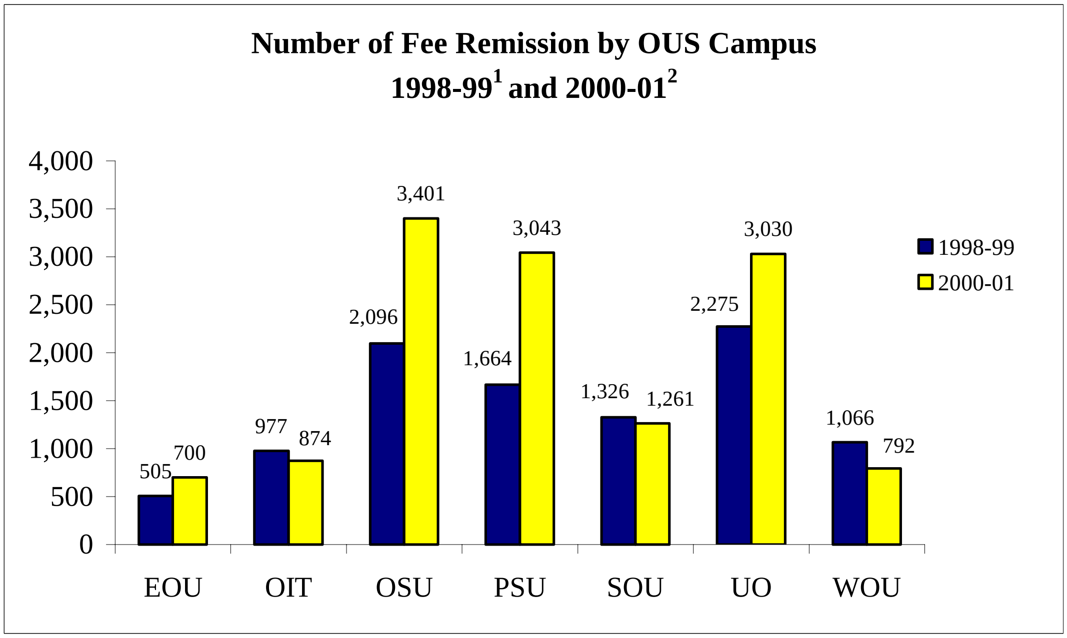
[8] Note: This amount is subject to change.

Health, Technology, or the Building Fee usually have active student involvement in setting the fee and/or the expenditures.

Unmet Student Financial Need



Background on Fee Remissions



[1]Baseline year for Board policy change regarding fee remission use.
[2]Includes WUE numbers for comparative purposes.

Campus	Total Expenditure[1]	Change from 98-99	Number of Awards[1]	Change from 98-99
EOU	$634,302	**13%**	700	**39%**
OIT	$1,543,321	**28%**	874	**<11%>**
OSU	$8,550,332	**66%**	3,401	**62%**
PSU	$4,392,154	**41%**	3,043	**83%**
SOU	$2,853,435	**16%**	1,261	**<5%>**
UO	$4,668,411	**34%**	3,030	**33%**
WOU	$1,936,028	**25%**	792	**<26%>**
OUS	**$24,577,983**	**40%**	**13,101**	**32%**

[1] Includes Western Undergraduate Exchange numbers to facilitate accurate comparison. Effective 2000-01 WUE was changed from a fee remission to a tuition assessment.

KEY POINTS

- Fee remissions are a common enrollment management tool in higher education. They are commonly referred to as tuition waivers or discounts.
- In February 1999 the Board revised its fee remission policy. As a result, campuses have the autonomy to customize fee remissions so long as the amount of funding does not fall below 1998-99 levels.
- Campuses have significantly increased the number of fee remissions awarded by 32% since 1998-99.
- The average amount of each remission ($1,750) has remained steady for the past four years.

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Appendix C

Enrollment in the Oregon University System: Past, Present, and Future

Background

For nearly three decades enrollment has seen cyclic growth at OUS campuses. From 1970 to 1980, enrollment grew 19% in a steady pattern, reaching a high water mark of 64,087 students (excluding OHSU and extended enrollments). In 1980, Oregon and the nation faced a deep recession, and between 1980 and 1983 tuition increased more than 60%. With the sharp tuition increases compounded by program cuts and uncertainties about financial aid, enrollment during that period declined more than 10%, dropping to 57,000 by 1984. With economic recovery and a freeze on tuition, the remainder of that decade saw enrollments recover to reach 63,600 students in 1988. In 1990, the property tax limitation measure once again put economic pressure on Oregon state agencies and OUS responded by increasing tuition more than 40% in one year. Academic programs were cut, confidence in the system was affected, and enrollment declined, dropping to 58,020 in 1994. Enrollment eventually returned to 60,401 by 1998.

During these periods, demand for a college education continued to increase. The number of high school graduates in Oregon increased steadily, but more importantly, Oregon's economy changed from timber, fishing and agriculture to high technology and agribusiness. The need for education beyond high school was clearly felt following the recession, and opportunities for personal growth and prosperity were dependent on understanding the new technology. The demand for postsecondary education grew even when the enrollment at OUS did not. Some students were financially excluded, enrollment grew at community colleges, and many of the best and brightest chose to attend an out-of-state institution.

1999-2001

In 1999, the legislature approved a new funding model for OUS and seeded it with a state appropriations increase of almost 25%, including a two-year extension of the tuition freeze that was funded during the 1997-99 biennium. Enrollment grew in a single year more than 3.6%. With demand strong, enrollment grew another 3.2% in fall 2000, resulting in growth rates for the biennium not seen in 30 years. Including extended enrollment, headcounts grew to an all-time high of 69,508 in fall 2000.

Along with the increase in funding, the legislature identified undergraduate residents as a priority, even at the expense of graduates and nonresidents. Campuses responded by enrolling more Oregon first-time freshmen than ever, yielding a higher percentage of Oregon high school graduates and resulting in a student body mix stronger in resident undergraduates than in previous years.

The Resource Allocation Model

The Resource Allocation Model (RAM) allocated state funds for resident fee-paying students only, resulting in the new terminology of “fundable” and “nonfundable” students, roughly equivalent to “resident” and “nonresident.” Because the biennial growth was so strong, a funding “cap” was put on graduate students. In addition, because of the increased enrollment and the static state appropriation, undergraduate funding (“cell value”) was discounted for each full-time equivalent (FTE) student, causing the campuses to serve some students using only the student's tuition.

2001-2003

Enrollment growth continued at an even greater pace with the state's renewed commitment, reaching another all-time high of 73,883 by the fourth week of fall 2001. This represented a one-year growth of nearly 6.3%, the largest single-year growth rate in recent history, and an FTE increase above 7.2%. However, along with the rest of the nation, Oregon's economy started to decline in late 2000 and the State General Fund shrank. For 2001-2003 the legislature could not fully fund the enrollment growth, resulting in a further reduction in state appropriation per FTE. Tuition was allowed to grow only four percent in 2001-02 and three percent in 2002-03. Further into the biennium, the legislature met in special session and reduced the OUS appropriation even more, and funding per FTE went from approximately 88% in 1999 to an estimated 77.5% for 2001-2003, a decline of 13.5% per FTE in two years.

Biennial Cell Value Revision

In June 2002, updated enrollment projections showed an anticipated one-year growth for 2002-03 of over 6%, resulting in a fall headcount of over 78,000. These revised estimates, along with the over-realized enrollment in 1999-00, left a gap in funding that caused the cell values to decline from 83.7% to 77.5%, a mid-biennium correction downward of 7.4%.

Projections for 2003-2005

Projections for the first year of the next biennium continue to be very strong. Growth over fall 2002 should exceed 4.5% in reaching over 81,700 students. The trend toward increased resident undergraduate enrollment continues, though graduate enrollment will start to increase as well. By 2004, OUS will start to graduate the large incoming freshman class from 1999, and overall growth will slow a little, but demand for public higher education will continue to bring in new students, and enrollment should surpass 82,250 in fall 2005. Overall, the biennium will see a need to educate more than 8,300 additional FTE above the 2001-02 level for the two years.

Summary

The dramatic enrollment increase from 1998 creates new problems for the campuses in a time of decreasing state resources. Headcounts will increase from 64,989 in fall 1998 (including extended enrollment) to approximately 82,256 in fall 2004, an increase of 17,267. This is roughly equivalent to adding an institution the size of Oregon State University during that six-year period, with an even larger component of Oregon resident undergraduates.

Beyond 2005, the projections show a steady, if less dramatic, increase. Curtailment of enrollment will only be by environmental restrictions: facilities capacity, reduced funding from the state, or an increase in tuition without a corresponding increase in financial aid. Enrollment demand is not expected to decline in the next fifteen years.

The demand for higher education will continue, fed not only by the growing number of high school graduates, but also by increasing college participation rates. The most recent data from the biennial OUS survey, *Where Have Oregon's Graduates Gone?,* indicate that 69% of Oregon high school graduates enroll in postsecondary education in the fall term following graduation

(75% by the end of winter term). This college-going rate reflects a steady increase from 62.5% for the class of 1993, when the survey was initiated.

The combination of demographic trends and higher college attendance rates is reflected in the current and projected growth patterns for OUS. The challenge to provide adequate funding for this growth is clear.

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Appendix D

Flexibility Initiatives (Detail)

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	Issues & Questions	Analysis & Comment
Tuition and Fees		
Description	Tuition and fees represent the students' share of the cost for their education. Mandatory enrollment fees include Tuition, Energy Surcharge, Resource, Building, Incidental, and Health Services Fees. Currently there are three major tuition structures: • Academic Year with student and course level, residency, and programmatic differentials with combination per credit hour and plateau basis. • Summer Session with course level and programmatic differentials on a per credit hour basis. • Distance Education with course level differentials and per credit hour basis. OUS now has over 150 separate tuition and fee rate differentiations.	
Large issue context	***Affordability***: • Affordability related to tuition is linked directly to tuition and fee rates and/or financial aid. Affordability concept calls for Low Tuition/Low Aid or High Tuition/High Aid. • Scholarships/Grants - Student pays partial or no tuition, with institution receiving full amount of fee assessment. • Loans - Student eventually must pay full tuition and fees amount plus interest, with institution receiving full amount of fee assessment. • Fee Remissions/Waivers - Student pays partial amount of tuition and fees with other students' tuition partially offsetting revenue, with institution receiving partial fee assessment from student receiving remission.	
Flexibility Proposal	Affordability, relative to tuition, continues to be a problem for Oregon with its High Tuition/Low Aid situation. Institutions should not be penalized for higher tuition levels if these funds are dedicated to access and to educational quality.	Tuition and fees are the student's share of their education costs. We propose vesting universities with the opportunity and responsibility for setting tuition and fees, and granting tuition remissions. For resident undergraduates, these would be set within boundaries (floor and ceiling) established by the Board. For all other students, they would be set based on market and institutional objectives. The ability of an Institution to establish tuition levels relative

	Issues & Questions	Analysis & Comment
Tuition and Fees		
		to its own unique situation and market gives each University an opportunity to provide quality education within a competitive environment. Setting those individual levels within boundaries established by the Board, as well as the commitment to provide adequate financial aid for all resident students, assures access for Oregonians.
Board policy considerations	• Philosophy: Should tuition structure be designed for student access policy or cost plus market revenue policy? • Expenditure Limitation: Tuition income cannot be spent beyond specific Expenditure Limitation Authority granted by the Legislature.	ORS 351.070(3) Authorizes the Board to prescribe tuition and fees for enrollment into the institutions. • ORS 351.170(2) Legislature sets Building Fee rates. • ORS 351.590 Establishes the Student Activities Fund, separate from the General Fund, for incidental, health services fees, etc. • Currently the Board, Governor, and Legislature play an active role in setting tuition rates for the Academic Year. • Institutions alone set Distance Education tuition and fee rates, with no Board involvement.
OUS management considerations		• Tuition and Fee income per student is a critical element in the design of the Resource Allocation Model to complement the Cell Funding per student.
Implementation		In 1999 the Board made several decisions: • Institutions were given authority to retain management control of tuition. • Building Fee would remain pooled. • Fee remissions would remain comparable to 1998-99.

	Issues & Questions	Analysis & Comment
Tuition and Fees		
Other sectors, agencies affected	• Students and families need stability and predictability in planning for education. • Student Assistance Commission and various charitable foundations base allocations of financial aid for OUS institutions on tuition and fee rates.	Students/Families; Oregon Student Assistance Commission; various charitable foundations.
Current projects, studies		• UO is implementing a pilot project to modify the Academic Year tuition structure with per credit hour rates and modified plateau. • PSU has been exploring the possibility of converting Summer Session into a 4th Academic Term. • Preliminary work by EOU and Chancellor's Office was done on converting to straight per credit hour tuition structure. • The Lumina Project offers an opportunity to compare and evaluate various measures of affordability. • Chancellor's staff is developing a student price response analysis to increased tuition rates.
System Recommendation	1. Board policy already provides maximum flexibility to campuses in setting non-resident tuition and fees. 2. Board will set upper and lower bounds for resident undergraduate tuition. 3. Board will set upper and lower bounds for resident graduate tuition. 4. Board will require tuition remissions to support financially needy Oregon students to accompany tuition increases.	
Board Accountability Provisions	Tuition proposals from campuses will be accompanied by student impact analysis.	

	Issues & questions	Analysis & Comment
Institutional Financial Aid		
Description	About institutional financial aid in OUS: • State funds cannot be used for student financial assistance (ORS 351.070(3c)) • Institution revenues are used to discount tuition for selected students--fee remissions/scholarships • Tuition revenue redistributed • Gift income • Grants & contracts remit grad tuition • Board establishes/approves fee remission parameters proposed by campuses • Student characteristics (e.g., need-based, merit, level of study, diversity, residency, athlete) • Permissible fees remitted • Campuses (and donors) establish scholarship parameters • Financial aid is an enrollment management tool (that influences # of students and characteristics)	
Large issue context	***Affordability/Access:*** • Allowing institutions to create financial aid programs using institutional resources (primarily redistributing tuition/fees revenue). • Whether the lower tuition in subsidized public universities is an indirect form of non-need-based aid- as argued by the independent institutions in every state.	
Flexibility Proposal	Consistent with federal guidelines, institutions are assuming a greater role in assuring qualified students have access to educational programs regardless of their ability to pay. This "private school" model has not been widely used in OUS, except for our limited tuition remission policy.	Financial aid/affordability is a continuing issue for OUS institutions. We need greater flexibility to provide financial aid to students, especially for qualified Oregonians. This request is closely tied to that of greater flexibility in setting tuition at levels sufficient to fund campus-based scholarship programs for students in greatest need.

	Issues & questions	Analysis & Comment
Institutional Financial Aid		
Board policy considerations	• Should institutions be granted express authority to develop fee remission programs and other tuition discount packages? • Should Board establish guidelines to ensure programs serve state interests and Board goals (e.g., distribute % of total tuition & fee revenues as need-based awards)? • Each campus may have different capacity (or limitation) to generate additional tuition revenue, gifts, or grant income to support fee remissions. • Should Board continue to establish fee remission parameters? Approve parameters?	• ORS 351.070 Board may set tuition, may award student aid. • ORS 351.072 Board shall adopt rules re: tuition & specific fees, and may adopt standards, policies and regulations for admissions, …scholarships. • ORS 351.647 Board shall develop plans to reduce nonresident tuition barriers for WA and OR students; shall report to legislature before implementing. • IMD 3.010 Institutions shall provide financial assistance to students.
OUS management considerations	• Accountability could be provided through post-audit to ensure campuses do not discount tuition at levels more than they can afford.	
Implementation		
Other sectors, agencies affected	• Increases in tuition and fees for undergraduates may require renegotiation of the value of opportunity grant for public four-year institutions (now have flat rate and privates have differential rates based on posted tuitions).	• Oregon Student Assistance Commission • Oregon's community colleges • Oregon's private and independent colleges • Community-based scholarship programs • Various student groups
Current projects, studies		Research is available that identifies the effect of merit aid on lower and upper income students' decisions to enroll.

	Issues & questions	Analysis & Comment
Institutional Financial Aid		
System Recommendation	1. Increase grants through OSAC for students 2. Adopt Board policy to ensure that a portion of tuition increases are set aside for financial aid for needy students	
Board Accountability Provisions	Fee remissions, scholarships, and other financial aid awarded to students, including information on student family income level, will be reported annually to the Board by campuses.	

	Issues & Questions	Analysis & Comment
Enrollment/Funding of Resident Undergraduates		
Description	The consequences of market competition within a fixed amount of state appropriations and enrollment growth include: (1) dilutes the cell values of the RAM, (2) increases the % of the fixed pie for those campuses with enrollment increases, (3) creates financial instability for campuses not experiencing growth (zero-sum game).	
Large issue context	***Enrollment management***	
Flexibility Proposal	Continued enrollment growth without increased funding of the RAM has diluted cell values to unacceptable levels to sustain quality, or to allow the institutions to provide adequate numbers of courses for the enrolled students. Access continues to be an issue, but tends to be discussed only in terms of tuition costs. We need to balance that with the more critical issues of sustaining quality and providing courses.	Institutions within OUS face very different enrollment management problems. Some institutions are near capacity while others need to increase enrollment to become more effective and efficient. However, all institutions suffer from the inadequate level of state support per student currently provided. Therefore, an agreement must be reached among the institutions that will limit the total number of funded resident students to a level that will provide adequate funding for each student, and will distribute these funded students among the institutions in an equitable way. Institutions would always be allowed to enroll additional resident students without state funding. We need to negotiate the numbers of students to be accepted and not the funding level of the RAM.
Board policy considerations	• Should OUS establish a threshold (i.e., an enrollment level at which to guarantee funding) to offset effects of no longer pooling tuition and growing disparity in sources of revenue for campuses (e.g., opportunities for other funds greater for OSU through indirect cost recovery and for UO through higher tuition from nonresidents)? • Should campuses have the authority to limit	Enrollment demand is growing rapidly in Oregon due to an increasing number of high school graduates, changes in economy (more jobs require degrees), increased earnings for graduates, more parents with a college degree, and, currently, a high unemployment rate. If Oregon cannot provide a well-educated workforce, then leaders of tomorrow will be hired from outside Oregon resulting in lost opportunity for Oregon's youth. Further, curtailing graduate activity restricts research opportunities, intellectual property development, and entrepreneurial activity for Oregonians

	Issues & Questions	Analysis & Comment
Enrollment/Funding of Resident Undergraduates		
	enrollment of resident undergraduates to preserve program quality (as represented by cell values **at** peer average by discipline and level) or should have to serve additional resident undergraduate students with tuition revenue only? • Should institutions have more direct authority and responsibility to decide optimal enrollment and program mix?	and results in an economy based on lower-paying jobs. This is lost opportunity for Oregon businesses. The Board must manage enrollment while meeting educational needs of the state and its citizenry.
OUS management considerations	• What are the marginal costs of adding students beyond what the state funds? • What is the program mix of enrollment that can be supported (use peers for benchmarking studies) based on mission differentiation?	
Implementation	Restricting enrollment can be accomplished by raising admission standards and/or tuition, which could be a self-imposed tourniquet if demand declines. Determining the appropriate mix and enrollment of programs is a high-maintenance task. Would campuses be prevented from starting new programs even if they weren't funded? Aspects of enrollment management will be seen as contrary to entrepreneurship and campus flexibility.	Enrollment management must be specific to each campus. Since different disciplines are funded at different rates, OUS must manage by discipline in order to control RAM funding. Campuses have difficulty directing students into specific disciplines.
Other sectors, agencies affected	Community Colleges, Oregon independent colleges, OSAC, K-12 (with jointly enrolled students and graduates).	

	Issues & Questions	Analysis & Comment
Enrollment/Funding of Resident Undergraduates		
Current projects, studies	Funding levels compared to peers by discipline (review of the matrix). Analysis of Oregon high school graduates' GPAs. Ongoing: goals and desired programs of Oregon's high school graduates.	
System Recommendation	1) The System will develop an agreement among campuses for the distribution of students by campus that will be supported if there is no increase in state General Fund, and if the General Fund support increases to the quality level requested in the budget approved by the Board. 2) Each campus that can enroll additional Oregon residents beyond the level funded in (1) will identify available program capacity and provide an assurance to teach out these students if General Fund support in (1) does not increase in the future.	
Board Accountability Provisions	Annual audit report to the Board will be required of campuses. Definitions related to enrollment and program capacity will be defined by the Board in consultation with campus presidents.	

	Issues & Questions	Analysis & Comment
Academic Program Authority		
Description	Institutions must have the ability to establish or expand academic programs based on market demand, academic priorities, and available resources.	
Large issue context	***Mission differentiation***	
Flexibility Proposal	As a holistic System, institutions need to be aware of program duplication issues and avoidance of competitive disadvantaging of other member institutions. However, greater opportunity should be provided to a member institution, if it can provide a particular academic program, in a cost effective way, to meet specific, unfilled needs of Oregonians. The Office of Degree Authority often acts in ways that are counter to the interests of those seeking a higher education in Oregon, and performs functions that are not needed by OUS.	The academic marketplace requires a speedy delivery of programs to meet the needs of Oregonians and the Oregon Economy. Institutions must have the ability, with State Board approval, to establish or expand academic programs based on market demand, academic priorities, and available resources. We also request that OUS be exempted from the program review authority of the Office of Degree Authorization—the State Board already performs the function of assuring that OUS programs are both needed and of high quality.
Board policy considerations	Risks/challenges of change: • Modification of Board oversight of program approval must be acceptable to accreditation agencies. • Legislative expectations of Board attention to significant program duplication are likely to continue. • Challenge of limiting “mission drift” while encouraging campus’ development may need to be addressed.	Board authority over curriculum/academic programs is in statute (ORS 351.070, 351.072, 351.200, 351.203), Board internal management directives (IMD 1.305; 2.001, 2.015), and various Board policies. The Commission on Colleges of the Northwest Association of Schools and Colleges (regional accrediting agency) sets expectations for role of the governing board in reviewing and approving academic programs (Standard 6.B.5).
OUS management considerations		• Process modifications in program approval within parameters set by the Board may be possible with Board IMD change only.

	Issues & Questions	Analysis & Comment
Academic Program Authority		
		• Consultation on process modifications should be done with campus presidents and provosts, at a minimum. • OUS responsibility would shift balance to outcomes: program performance auditing, needs assessments regarding program gaps related to state needs, etc.
Implementation	• Given limited resources, what policy considerations will apply to higher cost or duplicated programs that campuses will want to establish? • Under these new conditions, how can we encourage/incent program collaboration, including articulated programs in areas of high need/demand?	• To provide OUS institutions with greater flexibility and responsibility for the decisions they make about developing, marketing, sustaining/or eliminating academic programs, we propose two complementary changes: a) streamline the review/approval process for new academic programs, and b) seek statutory change to remove OUS from Office of Degree Authorization/Oregon Student Assistance Commission requirements (see next section on "Other sectors, agencies affected"). • Consider streamlining the review/approval process for new academic programs by establishing, for each OUS institution, a selected band of undergraduate programs (may be expanded to graduate programs after pilot phase has been evaluated). The program band is based on the institution's mission, existing programs, disciplinary strengths, and resources. • New programs that fall within Board-approved bands will follow an expedited review process and be approved for implementation by the Chancellor. • The regular Board approval process will be retained for programs in these areas: –graduate programs –professional programs, including teacher preparation endorsements. –other programs falling outside each institution's Board-

	Issues & Questions	Analysis & Comment
Academic Program Authority		
		approved program band. • A notice/appeals process will be established to respond to and resolve claims of adverse impact of competition of a proposed new program brought by another OUS campus.
Other sectors, agencies affected	• The Board should consider proposing statutory changes to eliminate notice requirements and conformance to OSAC final decision authority related to issues of detrimental duplication or adverse impact. Elimination of this law would shorten "time to market" for new OUS programs under any scenario and further deregulate statewide markets.	• Oregon's independent and proprietary postsecondary education providers may be affected by significant changes in the academic program approval process. • Under ORS 348.603 and OARs 583-040-0005, 583-040-0010, and 583-040-0025, the Office of Degree Authorization under OSAC has responsibilities for reviewing new publicly-funded postsecondary programs or locations from causing detrimental duplication or significantly adverse intersegmental impact. • ORS chapters 326 and 351 call for cooperation between the two public boards of education and require compliance with decisions of OSAC in exercising its final authority for approval of a proposed new program or location. • Only boards of publicly-funded institutions must conform to notification procedures requiring 45 days delay before the proposing board intends to ratify and implement the program. Independent/proprietary institutions are not subject to these provisions, nor to the ultimate program authority of OSAC. Only OUS institutions, OHSU, and the community colleges are so constrained. The independent and proprietary sectors have objected to statutory change in the past because the status quo arrangement protects their interests.

<table>
<tr><th></th><th>Issues & Questions</th><th>Analysis & Comment</th></tr>
<tr><td colspan="3">Academic Program Authority</td></tr>
<tr><td>Current projects, studies</td><td></td><td></td></tr>
<tr><td>System Recommendation</td><td colspan="2">1) Streamline program approval process using bands of approved program areas (as noted above).
2) Establish expedited appeal for cases where an OUS institution objects to a proposed program on grounds of adverse impact and insufficient unmet demand to sustain a potentially duplicative offering.
3) Seek exemption from review by OSAC.</td></tr>
<tr><td>Board Accountability Provisions</td><td colspan="2">The Vice Chancellor for Academic Affairs will work with the OUS Academic Council to design accountability processes/ measures based on these desired outcomes:
• An array of new or expanded academic programs based on documented market demand, campus academic priorities, and available resources will be established.
• Review/approval/implementation time for these programs will be demonstrably reduced.
• Five-year follow-up reviews of expedited programs will show evidence that the Board’s goals (access, quality, employability, and cost-effectiveness) are being met at a high level as the basis for program continuation.</td></tr>
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	Issues & Questions	Analysis & Comment
Expenditure of Non-State E&G Operating Funds		
Description	In addition to appropriating state General Fund monies for general operations, the legislature places a spending limitation on other general operating funds.	• Requires statutory change. • Authority would be transferred from the Governor and legislature to the Board. • Other general operating funds are derived principally from tuition and fees, indirect cost recovery, and other revenue. They represent approximately 25% of the institution's total budget. Expenditures for self-sustaining operations, such as auxiliaries, are not subject to the same legislative limitations.
Large issue context	***Affordability, enrollment management, and managerial flexibility***	
Flexibility Proposal	OUS institutions generate 60-80% of their own overall revenue through tuition, gifts, grants, contracts, and auxiliary enterprises. Legislative authority has not changed since the State provided a much greater share of the operating costs of the universities. Responsibility and authority should be aligned in any well functioning organization. Since universities have the responsibility to generate such a large fraction of their overall revenue, the authority to expend those revenues should be vested with the Board, which could then delegate as appropriate to the campuses, providing flexibility with accountability. This proposed change would be a natural expansion of the authority granted under SB271.	The State Legislature establishes expenditure limits for universities for all funds, including non-State Education and General operating funds. We propose the legislature delegate this authority to OUS and no longer establish limits on spending non-State E&G operating funds. The appropriation process itself effectively sets an expenditure limit.

	Issues & Questions	Analysis & Comment
Expenditure of Non-State E&G Operating Funds		
Board policy considerations	Board policy could be amended to provide general oversight, with delegation to the institutions.	The Board would strengthen monitoring of non-state E&G operating funds to ensure delegated responsibility is fulfilled.
OUS management considerations	OUS management currently tracks expenditure limitation to ensure compliance with statute.	OUS management of the process would depend on the Board's policy decisions related to authority and oversight.
Implementation	In addition to statutory changes, new oversight and monitoring processes and procedures would need to be developed.	Implementation would depend on the requirements growing from the Board's policy decisions.
Other sectors, agencies affected	Other state agencies (including the Department of Administrative Services and the Legislative Fiscal Office).	Granting institutions' authority over these funds would have implications for other state agencies that collect general operating revenues in addition to their state appropriation.
Current projects, studies		
System Recommendation	OUS should seek legislative approval to remove expenditure limitation on non-State Education and General operating funds. Board will review and approve expenditure of non-State E&G operating funds realized when expenditures exceed budget targets.	
Board Accountability Provisions	Board will review and approve expenditure of non-State Education and General operating funds realized when expenditures exceed budget targets.	

	Issues & questions	Analysis & Comment
Interest Earnings		
Description	Retention of all interest earnings on all funds deposited with the state, except for state General Fund appropriations.	
Large issue context	***Public finance, managerial flexibility***	Would require a change to existing law.
Flexibility Proposal	During the 2001 Legislative Session, SB 706 was introduced to implement this proposed statutory change. OUS will need to try to reintroduce this initiative. The challenge may be to argue that if this interest is returned, it should not be used as a substitute for state support. The community colleges already enjoy this flexibility of retaining interest on their accounts.	Currently, all tuition and fees collected by OUS institutions are deposited with the State, and interest from those deposits are transferred to the General Fund. We request that institutions be able to retain the interest earned on these non-state dollars and use that additional income to fund instruction and services.
Board policy considerations	May require development of new Board policies related to fund management for the purpose of maximizing interest earnings. See additional information under "Current Projects/Studies" below.	Similar to 2001-2003 Biennial Budget Process – Legislative Concept 580-05.
OUS management considerations	• May require additional staff resources dedicated to cash management. • May require establishment of additional bank accounts and additional staff time to distribute interest.	
Implementation	Would require Legislative authority to allow the collection of interest earnings on select funds.	

	Issues & questions	Analysis & Comment
Interest Earnings		
Other sectors, agencies affected	Interest earnings retained by OUS could result in a net decrease to the State General Fund.	
Current projects, studies	**FAF observations:** OUS funds are not allowed to earn interest unless specifically provided for by statute. It was recommended that a strategy be developed to pursue Legislative authority to allow the collection of interest earnings on select funds. The selected funds would be OUS-generated funds, such as those produced by Auxiliaries and Tuition. **2001 ! 2003 Legislative Concept #580-05 observations:** Issues identified included: 1) Interest revenue could create an offsetting current service level budget adjustment to create an even exchange, so that there will be no net effect on total revenue. 2) Would the interest earnings resulting from non-limited funds also result in a net decrease to General Fund monies?	The following two recent initiatives provide background information on this issue: 1) Fiscal Accountability Framework (FAF) Final Report, Section 6, Pages 6.66 - 6.67, and 2) 2001-2003 Legislative Concept #580-05.
System Recommendation	OUS should seek legislative approval to retain interest earnings on non-General Fund sources.	
Board Accountability Provisions	As part of the recent Systemwide Fiscal Accountability Framework project, OUS examined and documented regulatory requirements as well as the roles and responsibilities of the Chancellor's Office and the institutions related to Treasury Management. OUS presently has statutory authority to retain interest earnings on certain funds. If OUS were granted the opportunity to retain interest earnings on additional funds, it is anticipated that OUS would continue to adhere to existing statutory requirements related to cash management. This change would, however, significantly increase the dollar volume of funds eligible for interest earnings. Therefore, a more	

	Issues & questions	Analysis & Comment
Interest Earnings		
	sophisticated cash management policy becomes all the more critical. The OUS standards would continue to be "best practices" within a university environment.	

	Issues & questions	**Analysis & Comment**
Purchasing and Contracting		
Description	• OUS purchasing solicitation documents and contracts are subject to a number of reviews and approvals by both DAS & DOJ. There may be additional time and cost savings to OUS if external review and approvals were reduced. • Current statutory environment: o ORS 291.045 and 291.047 Legal Sufficiency Review by DOJ. o ORS 190.430 Requires DOJ approval of all interstate, international, and intergovernmental agreements. o DAS controls on OUS purchasing: ➢ ORS 279 sections which still cover OUS: ➢ ORS 283.500 to 283.520; OAR 580-40-0228 Telecommunications. Must have DAS permission to construct, purchase, or gain access to telecommunications system except for exemptions set out in OAR 580-040-0228. ➢ OUS must pay a fee, which has been significantly in excess of that charged other public entities, for accessing DAS “state contracts.” ➢ ORS 283.085 to 283.092 Financing Agreements. If principal amount is over $100,000 only DAS can enter into the financing agreement.	Department of Justice Relations: • UO, OSU, and OUS currently have SAGs (Special Assistant Attorneys General). • Is it duplication to require such extensive DOJ approvals? • If OUS were allowed to conduct its own reviews, would additional legal staff be required to handle volume from smaller institutions? • Would exempting additional classes of contracts from DOJ review provide sufficient relief? • Assessment by DOJ regarding the workflow could lead to considerable savings for OUS. Department of Administrative Services Relations: • Primary issue: Should OUS have complete autonomy from DAS in all purchasing and contracting? Is there value added for OUS or the state by DAS oversight?

	Issues & questions	Analysis & Comment
Purchasing and Contracting		
Large issue context	***Managerial flexibility***	
Flexibility Proposal	Senate Bill 271 was amended in 1995 to require that information technology (IT) and telecom issues become subject to review and approval by the Department of Administrative Services (DAS). This has led to significant inefficiencies and increased costs. We request that OUS work toward reversing this amendment so that the System and institutions have greater authority in purchasing, contracting, and making decisions concerning IT and telecommunications.	Institutions and OUS already have the significant and sophisticated knowledge of IT/telecom issues to make decisions as to what is best use/practice at OUS campuses. Involving DAS involves needless time and cost that slows the ability of institutions to respond to technological initiatives.
Board policy considerations	OUS has shown itself, and been independently adjudged by the 271 Review Panel, to have achieved significant cost savings in purchasing based on freedom from DAS oversight and the innovative purchasing culture of OUS. Can additional cost savings be achieved by broadening the autonomy granted OUS?	
OUS management considerations	• Any increase in OUS authority vis-à-vis contracting would logically result in reduced need for DAS resources (staff). • An interim legislative committee is working on re-write of the central state purchasing statute overseen by DAS. • There would be cost savings to the institutions if OUS were allowed direct membership in the WSCA cooperative. Computer purchases would be significant for the larger institutions.	

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<tr><td colspan="3">Purchasing and Contracting</td></tr>
<tr><td>Implementation</td><td>Statutes and OARs would need to be re-drafted.</td><td></td></tr>
<tr><td>Other sectors, agencies affected</td><td>DAS and DOJ would have interest in any alteration.</td><td></td></tr>
<tr><td>Current projects, studies</td><td></td><td></td></tr>
<tr><td>System Recommendation</td><td colspan="2">• Seek amendment to ORS 291 that currently limits OUS Senate Bill 271 purchasing authority for information technology (IT) and telecommunication areas; seek designation of State Board as final authority for IT and telecomm purchases.
• Seek DAS cooperation in authorizing OUS to enter into, independently, the Western States Contracting Alliance (WSCA) purchasing coalitions.
Note: Attempts have already been made t do this at a staff level with no cooperation from DAS. OUS currently has authority to enter into other purchasing cooperatives. However, for this cooperative, DAS must approve our direct membership. There is no accountability issue here.</td></tr>
<tr><td>Board Accountability Provisions</td><td colspan="2">IT and telecomm purchases would follow the existing processes in OUS OARs for purchase of goods and services. Current processes are in accordance with the public contracting requirements of ORS 279.</td></tr>
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	Issues & Questions	Analysis & Comment
Use of Private Funds		
Description	The System should have greater flexibility in the use of private funds related to bond matching requirements.	
Large issue context	***Managerial flexibility:***	A change in the law may be required.
Flexibility Proposal	Projects are needlessly delayed by state requirements to have university cash matches paid in full before proceeding, often necessitating long project delays with no value added.	Current state regulations on governance and use of private funds contain restrictive definitions of the use of assessments on endorsements and of pledges to match state bonding. We request greater flexibility in use of those funds that would increase our effectiveness and efficiency in initiating projects, and ask that OUS work to obtain legislative authority to that end.
Board policy considerations	Before initiating any policy changes in this area, the Board would want to provide for adequate controls to ensure that their fiduciary responsibilities are fulfilled.	
OUS management considerations	To better assess the viability of the proposal, the Chancellor's Office and the campuses need to be prepared to answer the following questions: 1) Is it fiscally responsible to incur debt and begin construction on projects without all matching funds being received? 2) What contingency plans can/should be made in the event that economic and world conditions make it impossible for donor pledges to be honored?	

	Issues & Questions	Analysis & Comment
Use of Private Funds		
	3) Could campuses change their donor strategy so as to obtain receipts sooner or begin the fundraising effort earlier? 4) Currently, interest earnings on matching funds go to the state General Fund. Could changes in the law be made which would permit OUS to retain interest earnings on matching funds? (See section F1) 5) Would proposed greater flexibility in the use of private funds adversely affect the bond rating? 6) Would a change in the percentage for matching requirements be valuable? 7) How would the proposed change impact the manner in which federal grants are used as matching funds?	
Implementation		If OUS is granted increased flexibility in this area, then administrative rules, internal management directives, and operational policies (e.g., budget, capital construction, debt, and accounting) may need to be revised/developed to provide for appropriate management oversight and fulfillment of the Board's fiduciary responsibilities.
Other sectors, agencies affected	• State Treasury • Institutional foundations • Bond Counsel • Federal sponsors	

	Issues & Questions	Analysis & Comment
Use of Private Funds		
Current projects, studies		
System Recommendation	The Board should consider seeking approval to use private funds more flexibly to match bonding requirements conditioned on implementing adequate controls at the System level. Note: It is important to note that this change may require voter approval to change the Oregon Constitution to allow for anything other than a dollar for dollar match.	
Board Accountability Provisions	If this additional flexibility were obtained, OUS would continue to subject bonding proposals to a rigorous fiscal analysis. This fiscal analysis would be expanded to include a comprehensive contingency plan in the event that anticipated pledges were not forthcoming.	

	Issues & Questions	Analysis & Comment
Donor Privacy		
Description	State law (public records) classifies documents utilized to carry on state function as public documents. This includes records related to the donation of funds or property.	
Large issue context	***Managerial flexibility***	
Flexibility Proposal	Private contributors have increasing and legitimate concerns about release of personal information into the public sector. Statute change is necessary to protect this information and is important to our private fund raising efforts.	Because the private sector is becoming increasingly important for institutions in their attempts to meet the cost of providing quality higher education, we request greater flexibility regarding donor privacy. We further request that OUS work to obtain statutory exemption – similar to that enjoyed by the Oregon Health Sciences University – to protect personal information of donors to OUS institutions.
Board policy considerations	A statutory exemption eliminates Board policy, except the general perception that state business should be observable by the public.	
OUS management considerations	Internal processes to establish and maintain privacy of donor identify would have to be created.	
Implementation	Internal processes to establish and maintain privacy of donor identify would have to be created.	
Other sectors, agencies affected	Oregon Press Association and individual newspaper editorial boards.	

	Issues & Questions	Analysis & Comment
Donor Privacy		
Current projects, studies		
System Recommendation	After consultation with the Oregon Newspaper Publishers, the Board should seek legislative exemption from public disclosure of writings prepared by or under the direction of officials of the Oregon University System, including its campuses, about a person and the person's potential interest in donating money or property to the university, or the person's actual donation, unless disclosure is authorized by that person.	
Board Accountability Provisions	In accordance with statutory authority, OUS would develop policies and procedures to guide the safekeeping of information and help ensure donor privacy.	

	Issues & Questions	Analysis & Comment
Legal Oversight and Representation		
Description	1) DOJ regulations require that all state contracts greater than $75,000 be reviewed for legal sufficiency by the Attorney General, and that those greater than $100,000 be reviewed by the Attorney General's Business Transactions Unit. 2) As the statutorily approved owner of intellectual property, OUS has responsibility to sign off on the transfer of such rights.	
Large issue context	***Managerial flexibility:***	
Flexibility Proposal	Currently, many financial management decisions are referred to the Department of Justice for legal review. This referral often leads to unnecessary delays, costs, and inefficiencies.	Although the ability of individual campuses varies widely, we are requesting greater flexibility in decisions regarding legal, financial issues, contracts, grant research, tech transfer and intellectual property rights. These OUS services are valuable and should be continued for the smaller campuses, but we request for those universities capable of doing so – that opportunities be provided, for example, to have their own legal counsel in the areas of contract review, tech transfer and intellectual property rights.
Board policy considerations	Whether the Board's fiduciary responsibility can best be safeguarded by the Attorney General's review or individual campus review where local legal counsel is present.	Regarding intellectual property: Can Board ownership be delegated to "selected" campus with associated reporting and documentation safeguards?
OUS management considerations	Regarding intellectual property: If delegated, are reporting and documentation requirements adequate safeguards?	

	Issues & Questions	Analysis & Comment
Legal Oversight and Representation		
Implementation		
Other sectors, agencies affected	Attorney General's office; ORS §180—mandated Attorney General's Review.	
Current projects, studies		
System Recommendation	• Seek legislative and DOJ exemption for OUS from mandatory contract review based on predetermined monetary limits. • This exemption would authorize OUS to seek legal review based on self-determined need and complexity of issues.	
Board Accountability Provisions	Board may direct review of contracts on periodic basis. Board will establish policy parameters within which campuses may employ legal counsel.	

	Issues & Questions	Analysis & Comment
Other Funds Construction Projects		
Description	Eliminate legislative approval requirements and state regulations for construction projects when project or operations receive no state funding.	
Large issue context	***Managerial flexibility***	
Flexibility Proposal	F-Bond Projects involving no General Fund expenditure, and projects creating no cost to the state, should not require legislative approval. Could not this legislative approval be delegated to OUS?	Currently – and regardless of the source of funding – any capital project over $500,000 must be approved by the Legislature or the Emergency Board. Additionally, any change in the project that increases the cost of an approved F-Bond project must be also so approved. We request greater flexibility in using other funds in construction projects and that OUS works toward legislative relief.
Board policy considerations	If Board approval is retained for all projects, then no policy considerations.	
OUS management considerations	The last three biennia averaged eight projects each at $5.8 million per project. Usually donations are used to match state funds.	
Implementation	ORS 351.160 ties OUS into the legislative authorization process for all projects.	
Other sectors, agencies affected		

	Issues & Questions	Analysis & Comment
Other Funds Construction Projects		
Current projects, studies		
System Recommendation	Seek legislative relief from regulation and requirements for construction projects when not funded with state funds.	
Board Accountability Provisions	Board will follow review and approval processes currently in place. New rules may be added as necessary to protect the interests of the System, campuses, and the state.	

	Issues & Questions	Analysis & Comment
Real Estate and Personal Property		
Description	Institutions should be allowed to buy, hold, and sell real estate and personal property.	
Large issue context	***Managerial flexibility:***	
Flexibility Proposal	Institutions would like greater flexibility to engage in income producing property arrangements that frequently require expedited processes to be successful. Recognizing Board authority to place limits on speculation, agile responses by institutions could reduce costs and increase opportunity.	Currently, closing real estate transactions require contingencies and legislative approval that can needlessly delay our ability to complete a transaction. In some instances, valuable real estate needed by our institutions has been lost due to these complications. We request the flexibility within guidelines established by the State Board, to buy, hold, and sell, real and personal property.
Board policy considerations	Retain oversight for campuses to administer, or legislature grants authority to institutions.	
OUS management considerations	OUS institutions can already buy and sell real estate. The property deeds are conveyed to the State of Oregon, the State Board of Higher Education, and the purchasing institution.	Cut out the state and the Board?
Implementation	To place title solely in the institution's name would require the schools to become 501(3)(c) organizations and the state to transfer title.	State is not likely to give away 56,600 acres of land and ½ of all of its buildings.
Other sectors, agencies affected	Department of Administrative Services	

	Issues & Questions	Analysis & Comment
Real Estate and Personal Property		
Current projects, studies		
System Recommendation	Review other states' models to assess strengths and weaknesses of local control of real estate and personal property.	
Board Accountability Provisions	Board will follow review and approval processes currently in place. New rules may be added as necessary to protect the interests of the System, campuses, and the state.	

	Issues & Questions	Analysis & Comment
Limitations on Bonding		
Description	Eliminate legislative restrictions on bonding that does not create General Fund obligation for the state.	
Large issue context	***Managerial flexibility***	
Flexibility Proposal	The requirement for dollar-for-dollar matching for construction assumes a one-size-fits-all approach to State funding (e.g. funding for an undergraduate classroom building should be funded in the same way as a research facility). The use of COPs to match GO Bonds provides an opportunity to expedite funding of a project without increased cost to the state. Can bonding authority be delegated to state agencies and what are the implications for bond ratings for the State?	Similar to the argument presented for greater flexibility in expenditure of non-state funds, we propose the State Legislature delegate to OUS the authority to establish protocols when state funds are not the source of debt service. We also request that there be a change in the dollar-for-dollar match requirement for General Obligation (GO) Bonds, and to permit the expansion of the use of Certificates of Participation (COPs) as a match for GO Bonds.
Board policy considerations		
OUS management considerations	State bonds usually offer lower interest rates. Also, if projects are delayed or cancelled, OUS is able to allocate the bonds to other projects within the System.	
Implementation	ORS 351.315 allows institutions to incur non-state debt for the purchase of property. Other statutes would need to be changed to allow capital projects to be privately funded. However, OUS	

	Issues & Questions	Analysis & Comment
Limitations on Bonding		
	currently leases land to private developers to accomplish this type of funding strategy.	
Other sectors, agencies affected	Department of Administrative Services	
Current projects, studies		
System Recommendation	Seek approval to eliminate legislative restrictions on bonding that doesn't create General Fund obligations.	
Board Accountability Provisions	Board will follow review and approval processes currently in place. New rules may be added as necessary to protect the interests of the System, campuses, and the state.	

	Issues & Questions	Analysis & Comment
Research, Technology Transfer, and Intellectual Property		
Description	Legal and financial control issues relative to research and technology transfer activities and intellectual property rights.	
Large issue context	***Managerial flexibility*** It is becoming recognized that universities play a prominent role in regional and economic development, not only through the education of students but also through the commercialization of knowledge into companies and jobs. The legislature has created the Oregon Council for Knowledge and Economic Development (OCKED) to develop specific recommendations on how to produce more economic value from university-generated knowledge.	Companies generally agree that dealing with universities can be cumbersome, slow and frustrating. Research universities with internal legal and accounting capabilities may be more responsive than the current system in dealing with research, technology transfer, and intellectual property issues. Smaller universities will probably still need centralized resource capabilities or could sub-contract with larger ones for these services. Collaboration will be key to ensure standardized forms and procedures across the System.
Flexibility Proposal	Individual campuses need the ability to operate more efficiently and increase entrepreneurial activity.	Campuses should have full management responsibility for legal and financial issues related to research and technology transfer activities and intellectual property rights.
Board policy considerations		• The Bayh-Dole Act gives intellectual property generated by universities using federal dollars to these campuses and directs them to commercialize these intellectual assets. In Oregon's case, the intellectual property is owned by OUS, not the individual campuses. The recently passed Ballot Measure 10 allows universities to hold stock received in exchange for intellectual property. • The Board owns intellectual property because ORS 351.220 through 351.240 gives the Board the authority to acquire and manage the intellectual property. As a general matter, the universities are not separate agencies of the state.

	Issues & Questions	Analysis & Comment
Research, Technology Transfer, and Intellectual Property		
OUS management considerations		OUS charges campuses overhead for use of its accounting and legal services. The Office of Business Alliances provides brokering, facilitation, and advocacy to campuses at no charge.
Implementation		
Other sectors, agencies affected		• Oregon Economic & Community Development Dept. and regional economic development agencies • Private sector groups such as the New Economy Coalition • Oregon Independent Colleges Association • Office of Community Colleges and Workforce Development, Dept. of Education
Current projects, studies		• Oregon Council For Knowledge and Economic Development • Oregon Technology Transfer Committee • Higher Education Technology Transfer Fund
System Recommendation	Explore with appropriate entities (Dept. of Justice, campuses, staff) non-administrative issues, including ownership or delegation of title to intellectual property, and federal legislative efforts to reduce restrictions regarding private activity bonds.	
Board Accountability Provisions	To be determined.	

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<tr><td colspan="3">Employee Insurance and Retirement</td></tr>
<tr><td>Description</td><td colspan="2">Health and Welfare Insurance Plans
• Public Employees’ Benefit Board (PEBB) contracts and manages health and welfare benefit plans for OUS and other state agencies.

Retirement Plans
• PERS retirement benefits are pooled with other state agencies, community colleges, and local governments.
• OUS Optional Retirement Plan (ORP) aggregates OUS institutions for administration by OUS, with campus representation on the Retirement Committee.
• OUS voluntary Tax-Deferred Investment 403(b) Program is contracted for and administered by OUS.
• PERS voluntary Oregon Savings Growth (IRC 457) Plan is administered by OUS.</td></tr>
<tr><td>Large issue context</td><td>Public finance, managerial flexibility</td><td>Health and Welfare Plans
• ORS 243.061-243.302. Public Employees Benefit Board (PEBB) provides outsourced contracting and administration services; limits institutional flexibility in benefits design and cost control.
OARS 101-001-0000 to 101-060-0015. Establish PEBB administrative practices.

Retirement Plans
• ORS 238.005 - 238.750. PERS administrative and fiscal management is controlled by extensive statutory guidance.
OARS 459-001-0000 to 459-060-0210. Establish PERS administrative practices.</td></tr>
</table>

	Issues & Questions	Analysis & Comment
Employee Insurance and Retirement		
		• **ORS 243.800**. The OUS Optional Retirement Plan (ORP) is governed by statute, vendor agreements, plan document, and Internal Revenue Code. • **ORS 243.810-243.830.** Tax-Deferred Investment 403(b) (TDI) Program is governed by statute, vendor agreements, and Internal Revenue Code. • **ORS 351.094(3).** Permits income deferral by OUS employees to the Oregon Savings Growth (IRC 457 Deferred Compensation) Plan, governed by **ORS 243.401 – 243.507**.
Flexibility Proposal	Association with PEBB is complex and politically complicated, and we know that OUS has explored other options previously. However, cost of participation has become a major consideration. How can institutions competitively attract quality faculty with health care programs that are becoming increasingly less attractive?	Benefit costs continue to escalate and are becoming an increasing burden to OUS and institutions. Because of the claim structure of other agencies as members of Public Employees Benefit Board, costs have disproportionately been passed on to OUS. We request that OUS once again explore opportunities to offer their own health care program for their employees. The retirement system should also be examined, particularly in the light of the current situation with PERS.
Board policy considerations	• Do institutions propose to separate from PEBB and PERS, or to participate as decentralized agencies? ***Health and Welfare Plans*** • Do institutions propose to individually develop and manage health insurance plans, separate from other OUS institutions? • Should OUS promote a statutory change to permit OUS to provide alternative benefits without the "equal to at less cost" restriction?	• For insurance and retirement plan purposes, OUS is currently considered one employer institution, under the authority of the State Board of Higher Education. ***Health and Welfare Plans*** • **ORS 351.094(1).** PEBB. State Board of Higher Education may provide alternative benefit plans to it's employees should the same level of benefits be available at lower cost than through PEBB. (SB271) • **ORS 351.094(2).** PEBB. If State Board of Higher Education does not participate in PEBB, the State

	Issues & Questions	Analysis & Comment

Employee Insurance and Retirement

Retirement Plans

- Is any institution permitted to leave PERS? No provision is addressed in statute.
-

	Issues & Questions	Analysis & Comment
Employee Insurance and Retirement		
	costs • What factors, other than plan costs, are driving the request for independent insurance and retirement plans? ***Health and Welfare Plans*** • Cost differentials between OUS institutions for health insurance coverage related to geographic and demographic factors. ***Retirement Plans*** • Compliance expertise and centralized administration for retirement plans	institution. ***Retirement Plans*** • Plan termination or redesign would be required for Optional Retirement 401(a) Plan and Tax-Deferred Investment 403(b) Program if institution plans are adopted.
Implementation	***Health and Welfare Plans*** • Interagency agreement with PEBB requires one year advance notice of intent to offer alternative health and welfare insurance plans. Retirement Plans • Statutory change or court decision may be required to separate from PERS. • Statutory change is required to de-link PERS and ORP contribution rates.	***Health and Welfare Plans*** • Statutory requirement to offer equal benefits at lower cost requires complete bid process prior to non-participation notice to PEBB. • If alternative health plans are offered independent of PEBB, institutions could be required to establish their own life, disability, long-term care, AD&D insurance, and dependent care spending accounts as well. Administrative and premium costs could increase for these plans.
Other sectors, agencies affected	***Health and Welfare Plans*** • OUS is the largest single employer participating in PEBB health and welfare plans, representing one-fourth of covered population.	***Health and Welfare Plans*** • OUS participation in PEBB has historically reduced overall healthcare costs for the state through pooled experience.

	Issues & Questions	Analysis & Comment
Employee Insurance and Retirement		
	Retirement Plans • OUS is the largest single employer in the PERS actuarial pool for state, community college, and local government employers.	***Retirement Plans*** • OUS participation in the PERS state and local governments actuarial pool stabilizes employer contributions for entire state and local govt pool.
Current projects, studies	***Health and Welfare P***lans • Health insurance feasibility studies in 1996, 1998, and 2000 illustrated slight pricing gains with independent plans. • HIPAA compliance and PEBB Benefit Management System (online enrollment and data management) under collaborative development with OUS. **Retirement Plans** • House Committee on PERS Sustainability and Governor's Task Force studying options for PERS. • Fourth Optional Retirement Plan (ORP) amendment under preparation with administrative clarifications.	***Health and Welfare Plans*** • OUS feasibility studies assumed ability to self-fund to achieve savings, an option not open to state agencies for health plan funding. PEBB will initiate first test case on self-funding arrangement in 2003, with notice to the legislature.
System Recommendation	OUS should review and, if necessary, update recent studies on competitive healthcare programs to determine financial and program flexibility. It is further recommended that a review be undertaken of competitive options in retirement programs in comparison to PERS.	
Board Accountability Provisions	To be determined following System review of studies and options.	

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